

EXHIBIT 3

Vale SA

Guineas first freely elected government reignites \$2.5bn mining tussle

Tycoon's iron ore jackpot in peril



Iron-ore drilling in Simandou

Tom Burgis, Helen Thomas and Misha Glenny in London NOVEMBER 2 2012

It was, in the words of one veteran of African mining, “the jackpot”. In April 2010, the conglomerate of a buccaneering Israeli billionaire who made his fortune trading diamonds across Africa and beyond, [struck a deal](#) to sell a 51 per cent stake of its mining interests in Guinea for \$2.5bn.

Even by the standards of [Beny Steinmetz](#), the sale to [Vale](#) of Brazil, the world’s biggest iron ore miner, looked like a handsome return. His company had spent a mere \$160m for the rights to mine half of Simandou, a mountain thick with tropical foliage and groaning with iron ore.

Now, however, the group’s prospects in the tiny west African nation that is home to some of the world’s most coveted mineral deposits face a threat. Guinea has reignited a [multibillion-dollar tussle](#) for the country’s treasure as the authorities scrutinise mining deals struck under former dictatorships.

The Financial Times has learnt that a government committee has launched a corruption probe and is demanding answers about how Beny Steinmetz Group Resources secured in 2008 the rights to the half of Simandou that had earlier that year been stripped from the Anglo-Australian mining house, [Rio Tinto](#).

The committee, which is backed by the billionaire investor and philanthropist, George Soros, has this week written to the Guinean joint venture of BSGR and Vale, listing a catalogue of graft allegations relating to BSGR's acquisition of interests in Simandou and a smaller deposit nearby.

Government investigators have gathered testimony from former business associates of BSGR, consultants and financiers who recounted tales of luxury gifts and payments to relatives of Lansana Conté, whose 24-year dictatorship ended with his [death in late 2008](#), and certain government officials in his and subsequent regimes.

The allegations include an offer of a diamond-encrusted, gold miniature Formula One car to a government minister, the FT has learnt. BSGR said the model was given to the mining ministry, not an individual, in a public ceremony and was worth \$1,000-\$2,000.

It denounced the probe as motivated by political opponents and mining rivals. "This is the latest in an orchestrated campaign being conducted to undermine BSGR's position in Guinea in order to enable our assets to be seized and sold to a variety of interested third parties," it said.

Among the allegations it is claimed that a representative of BSGR offered then-president Conté a gold watch adorned with diamonds and that the company agreed to pay the president's fourth wife a commission of \$2.5m for helping the group secure mining rights in Guinea.

BSGR said it was unaware of any gift of a gold watch. It denied that the group had ever made such a payment to the fourth wife of Conté. "We never made any payments," it said.

Businessman ventures into frontier markets

The [mining shake-up](#) highlights the difficulties facing poor countries rich in resources, whose endowments have often contributed more to [conflict and corruption](#) than to economic gains.

The scrutiny of BSGR comes amid intense interest in Guinea's resources, described by one industry executive as "fabulous, unlike anything else in the world", with investors circling from China, Brazil, Africa and Europe.

Beny Steinmetz is among a handful of mining entrepreneurs with a reputation for being among the first to venture into promising frontier markets rich with natural resources

BSGR and Vale have 60 days to respond to the allegations, after which the committee will consider reclaiming the rights, adding another twist to a 20-year tussle to control the mountain's riches. The committee told the joint venture it would take no further action until it received those responses.

"As ever, BSGR maintains that it is innocent of any wrongdoing and will use all legal means to protect its position in Guinea," said the group, which is managed on behalf of the Steinmetz family. Vale, which last month said it had [put the Simandou project on hold](#), declined to comment on the allegations but said it "conducts appropriate due diligence prior to its investments".

The mining review is billed as a chance for Guinea to break with decades of oppression and alleged corruption. It is a test for [Alpha Condé](#), the veteran opposition leader elected president in December 2010, and his two highest-profile advisers, Mr Soros and Tony Blair, the former UK prime minister.

Paul Collier, development expert at Oxford's Blavatnik School of Government who advises Guinea's government, said: "It would not just be irresponsible of the government of Guinea not to review this legacy of contracts agreed with corrupt regimes – it would be complicit. It has no choice but to review thoroughly and seriously."

But opponents claim that the Condé government is seeking to free up mining rights for the benefit of allies and to use the review to extract additional payments from their current holders.

Mahmoud Thiam, mining minister under the 2009-10 military regime that succeeded Conté, told the FT that Guinea's economy had suffered because of the government's investigation.

Mr Thiam, who himself faces questions regarding the acceptance and facilitation of payments and other advantages designed to curry favour, said: "By the end of 2012, [these projects] would have been exporting. But it has not happened because of this witch hunt."

He added: "Every deal we made was carefully crafted towards following the letter of the mining code."

Guinea's first freely elected government inherits \$2.5bn mining assets | Financial Times

Simandou is widely acknowledged in the industry to hold one of the world's best undeveloped iron ore deposits. Its ore is so rich in iron that experts say it barely requires processing but its challenging location, about 700km from Guinea's coast, means it will cost at least \$10bn to exploit.

Rio Tinto won rights to the whole concession in the 1990s under the Conté dictatorship. As the autocrat's health failed in 2008, the government stripped Rio – which it said had fallen behind its development schedule – of half its rights to Simandou. They were promptly signed over to BSGR, just days before Conté died.

However, last year Rio [paid \\$700m](#) to the current government for “the resolution of all outstanding issues” over its half of Simandou.

The company told the FT that that agreement “exempts Rio Tinto from any further changes under the current review of the mining code or any future review”.

Guinea's mining committee this week questioned whether BSGR ever intended to mine its half of Simandou. It has asked BSGR and Vale about suggestions that the Steinmetz group was simply seeking to acquire the rights in order to sell them on, a practice known in the trade as “flipping”.

It is an allegation that BSGR strongly rejects, noting that it has only received \$500m from the Vale deal so far. “This project has to happen for us to be paid,” it said. “This is not about a short-term flip; it is about a long-term commitment.”

2003 After first acquiring rights to prospect on Simandou in the 1990s, Rio Tinto signs an agreement with the government of Guinea to develop a mine

July 2008 The Anglo-Australian mining house is stripped of half its rights to Simandou after the governments says it missed development deadlines

December 9 2008 The rights to the half of Simandou that was stripped from Rio are granted to BSGR, the conglomerate of Israeli diamond tycoon Beny Steinmetz

Dec 22 2008 Lansana Conté's 24-year rule ends when the dictator dies in office

Dec 24 2008 Moussa “Dadis” Camara, an erratic young army officer, seizes power, ushering in a turbulent period for mining companies during which BSGR’s claim to half of Simandou is reaffirmed and Rio comes under pressure to relinquish more of its rights

September 28 2009 The Dadis regime causes worldwide outrage when security forces massacre 157 opposition demonstrators at the national stadium. During the fallout, an assassination attempt forces him into exile. An interim government paves the way for elections

April 2010 Vale of Brazil agrees to pay \$2.5bn for a 51 per cent stake in BSGR’s half of Simandou

July 2010 Rio signs a \$1.35bn deal to bring in Chinese state-owned Chinalco to its half of Simandou

Dec 2010 Veteran opposition leader Alpha Condé takes office following Guinea’s first free elections. His government draws up a new mining code and launches a review of past mining deals

April 2011 Rio pays the government \$700m for “the resolution of all outstanding issues” at its half of Simandou

October 2012 Vale says it is shelving its Simandou project, blaming falling iron ore prices

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